

The ADHD's of Money Management

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Wow, it is that time of year again when I get the privilege of writing to you on a topic related to tax or financial issues. While I was trying to decide what you might find interesting a thought about my own life occurred to me.

My husband and I have done a lot of research to learn how to help our ADHD (Attention Deficit Hyperactivity Disorder) teenager be more organized and responsible, particularly with managing his money. While I have read many articles specifically addressing this issue for an ADHD person, I realized that this is an issue that we all struggle with to some degree. So, I have decided to write about how we are going to help him learn to manage his money in the hopes that it may help you, too.

In general, people with ADHD face the challenges of procrastinating, being disorganized and being impulsive. These challenges can affect every aspect of their lives including their financial security. Our plan is to help our son identify where these challenges cause the most problems with managing his money. Once we identify his problem areas we can better help him set goals for improvement.

What are some of the common areas of difficulties faced in managing money?

- Bouncing checks
- Losing or not paying bills
- Purchasing unnecessary items on a whim
- Being unable to save
- Losing the checkbook
- Being unorganized with important financial paperwork
- Having large credit card debt

When setting goals, it is best to set short-term, mid-term and long-term goals. Some short-term goals could be keeping financial papers together, curb daily spending such as eating out, cut up credit cards and save a small amount of money each week. Mid-term and long-term goals might include paying off debt, saving for a vacation, college or retirement.

Once you have your goals set, the best way to accomplish your goals is to break each goal into more manageable smaller steps. I could write a book if I discussed each of these in depth. What I would like to do is briefly touch on a few of these goals.

I have found it very helpful to have a designated area for all financial papers. You should also keep a calculator, stamps and envelopes in this designated area. Develop a daily habit of opening mail and sorting it immediately. The money papers, such as checkbooks, bills, bank statements, legal papers and insurance papers should be placed in the designated area. Many people find it helpful to have dividers with file names for the different types of documents such as: utilities, gifts, bank statements, car, hobbies and insurance.

While impulsiveness is one of the clearest traits of someone with ADHD and can cause great financial difficulties, it is also an issue that those without ADHD face in their spending habits. Impulsive spending is defined as a purchase that you did not plan when you left the house, is not part of your budget or you don't need. Here are a few suggestions for dealing with and curbing impulsive spending:

- Avoid credit cards and ATM machines.
- Do not carry your checkbook with you if you know you are not going to need it.
- Identify and stay away from tempting areas such as the mall, favorite stores and online Websites.
- Go shopping with a list and stick to it.

Credit cards are very easy and convenient in our fast paced society; but can be very damaging in prioritizing our financial commitments. My husband likes to say that credit cards are the root of all evil. While this may not be completely the case, credit card balances can build up quickly with interest, late payment fees and over the limit fees.

These charges can turn even small purchases into large expenses that can take 30 years to pay off if only the minimum payment is made. So, if you are not in the habit of paying off your credit card balances each month, the next time you pull out your credit card to pay for that morning latte, ask yourself if you love it enough to pay for it over the next 30 years.

Keeping a record of all of your daily purchases will help you account for your money. You should record even the small purchases such as the parking meter or the morning paper. Some options are a notebook, a Palm Pilot, a calendar, or an extra check register. Do this for a week or several weeks and you will see a spending pattern emerge.

As you continue tracking your spending you will be able to move forward and create a spending plan for yourself. A spending plan, like a budget, involves allocating money each month for each of the spending categories in your life. One secret to money management is to plan for all expenses every month to ensure that bills due every other month are not forgotten.

Paying off debt and preventing new debt is part of being successful at managing your money. First, you should make a list of all of your debt, including credit cards, loans, outstanding medical bills and loans from retirement plans. You should budget payments that you can realistically pay as part of your spending plan.

Additionally, no matter how high your debt or monthly expenses, you need to develop a savings habit, even if it means saving \$1 or \$2 a week. Remember, there are real goals in a savings plan; so, start small and be patient with yourself.

Just as my husband and I are helping our son develop realistic goals in managing his money, Netting & Pace is here to help you. Please give us a call.